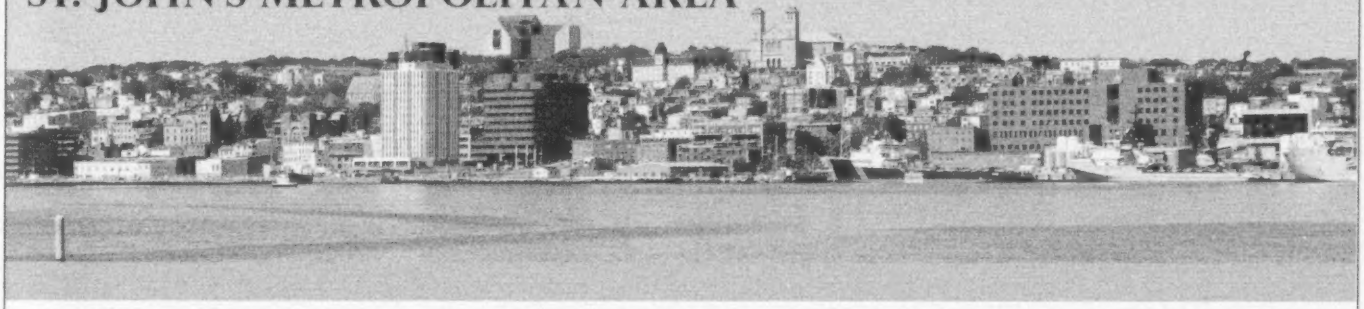
ECONOMIC OUTLOOK 2013
ST. JOHN'S METROPOLITAN AREA



Outlook for 2013

Real GDP growth in the St. John's Census Metropolitan Area (CMA) is expected to rebound as oil production recovers from last year's extended maintenance shutdowns in the oil industry. Growth in spin-off activity related to the Muskrat Falls and Hebron projects will also ramp up. Real GDP in the St. John's CMA is expected to increase by 6.3% in 2013 to over $13.9 billion, in comparison to an increase of 6.8% for the province as a whole. Oil production is expected to total 84.4 million barrels in 2013, an increase of 16.9% (or 12.2 million barrels) from 2012. Investment associated with major project activity continues to be supported by strong wage growth and general consumer and business optimism.

Economic Indicators
St. John's Metropolitan Area, 2012-2013f

	2012	2013f	% Change 2012-13f
Real GDP (2007$M)	13,120	13,942	6.3%
Employment	109.2	109.7	0.5%
Labour Force	117.7	117.4	-0.3%
Unemployment Rate	7.2%	6.5%	-0.7 ppt
Participation Rate	72.3%	70.8%	-1.5 ppt
Personal Income ($M)	8,980	9,565	6.5%
Retail Trade ($M)	3,720	3,832	3.0%
Housing Starts	2,153	1,951	-9.4%
CPI (2002=100)	123.8	125.7	1.5%
Population	200.6	203.6	1.5%

Source: Statistics Canada; Economic Research and Analysis Division, Department of Finance. f: forecast

Employment is forecast to increase 0.5% in 2013 as public sector restraint dampens overall growth. The unemployment rate is expected to fall to 6.5% as employment growth is expected to outpace labour force growth. Employment gains, combined with significant increases in wages and salaries, are expected to boost personal income by 6.5%. Retail trade is expected to increase by 3.0% in tandem with income growth. Housing starts are expected to decrease 9.4% to about 1,951 units after recording a 37-year high in 2012.

The population of the St. John's CMA is expected to grow by 1.5% in 2013 to 203,600.

ST. JOHN'S

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2012 Performance

Real GDP in the St. John's Census Metropolitan Area (CMA) fell by 7.1% in 2012 solely due to falling oil production caused by prolonged maintenance shutdowns on the Terra Nova and White Rose oil fields. In comparison, total real GDP decreased by 4.8% for the province as a whole. Real GDP in the rest of the CMA economy, excluding oil production, actually increased by 5.2% last year. Both the manufacturing and construction sectors posted solid gains, but were more than offset by the declines in the oil and gas industries. During 2012, other economic measures, such as employment, housing starts, income and retail sales experienced significant gains.

Employment in the St. John's CMA increased 3.6% (or 3,800) to 109,200 in 2012. The labour force also increased notably (up 4.3% or 4,900) as robust economic conditions enticed more people to participate in the labour market and as significant net in-migration to the region continued. Labour force participation reached a historical high of 72.3%. Since labour force growth was greater than employment growth, the unemployment rate increased by 0.6 percentage points to 7.2%. Personal income increased 8.5% to $8.98 billion, driven by employment gains and wage increases.

Growth in personal income, employment and population - in combination with high levels of consumer confidence - resulted in solid growth in retail sales. Retail sales increased 5.7% to $3.7 billion. Housing starts increased 12.0% to 2,153 units, the highest level since 1975.

In 2012, the St. John's CMA recorded its eleventh consecutive annual population increase. Gains resulted from natural growth and net in-migration to the region. As of July 1, 2012 the population of the St. John's CMA was 200,550.

Economic Impact of Offshore Oil

The offshore oil industry has been the main driving force behind strong economic growth in the St. John's Census Metropolitan Area (CMA) over the past 15 years. The CMA is the primary supply base for the offshore oil industry and the number of local businesses providing support services continued to increase over the last decade. The Newfoundland and Labrador Oil & Gas Industries Association (NOIA) currently has roughly 600 members who represent industry service providers, operators, trade associations, educational institutions and government bodies.

At the provincial level, offshore oil production, construction and exploration directly accounted for about 28% of Gross Domestic Product (GDP) in 2012. In the St. John's CMA the impact is even larger, with oil activity directly accounting for about 40% of nominal GDP, up from about 34% in 2002. With the addition of Terra Nova production in 2002, White Rose in 2005, and expanded development activity in recent years, service activity associated with the oil industry has increased dramatically in the CMA.

Direct oil industry employment in the province in 2012 was about 4,500 persons or 1.9% of total employment. The capital intensive nature of the industry means that direct GDP impacts were much larger than employment impacts. Within the CMA, direct oil industry employment in 2012 was estimated at 2,700 person years (2.5% of CMA employment). Earned (labour) income in the CMA from these direct jobs is estimated at over $350 million in 2012.

The total employment impact of the offshore oil industry in the CMA, including direct, indirect and induced employment, is estimated at roughly 9,000 in 2012 or 8.2% of total CMA employment.

Direct Economic Impacts, Offshore Oil Industry St. John's CMA, 2002 and 2012

	2002	2012
Nominal GDP	33.9	39.6
Employment	1.3	2.5

Source: Calculated by Department of Finance

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Note: *The St. John's Census Metropolitan Area is a Statistics Canada geographically defined area including St. John's and neigbouring communities.*